

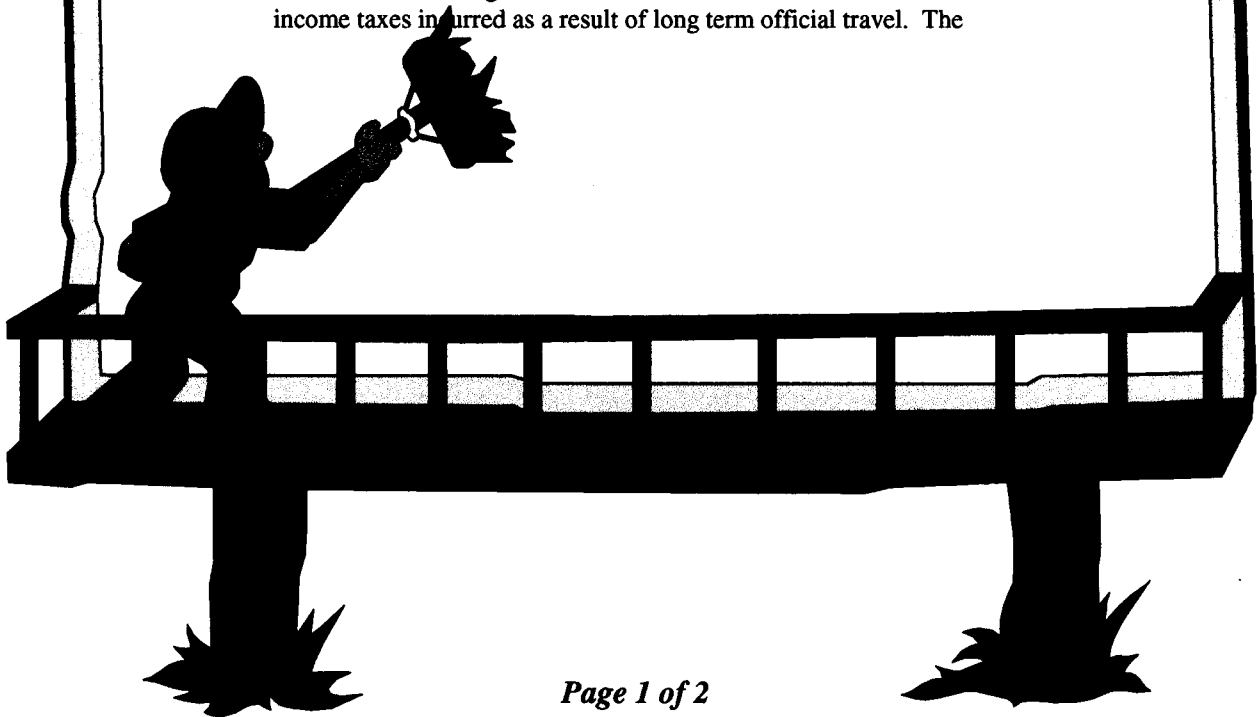


Headquarters Policy Flash

Flash # 99-11

DATE: June 24, 1999
TO: Distribution
FROM: Office of Procurement and Assistance Policy (MA-51)
Office of Procurement and Assistance Management
SUBJECT: *Federal Travel Regulations (FTR), Income Tax Reimbursement Allowance (ITRA)*

SUMMARY: The General Services Administration (GSA) has amended the FTR (Interim Rule 7, Federal Register, June 18, 1999, Vol. 64, No 117, Page, 32812) to implement sections of the Travel and Transportation Reform Act of 1998 (Pub. L. 105-264), which authorizes Federal agencies to reimburse Federal, state, and local income taxes incurred as a result of long term official travel. The

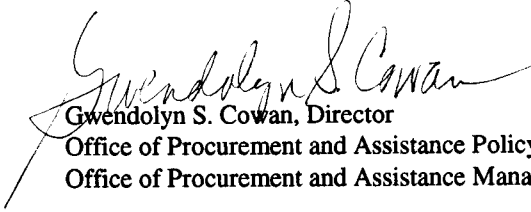


interim rule has a retroactive effectivity date of January 1, 1993. It also allows for the reimbursement of penalty and interest payments due to incorrect withholdings by the employee's agency for tax years 1993 and 1994.

We have received inquiries on whether this change impacts travel expenses incurred by M&O contractor employees. The answer is no. The travel cost principle at DEAR 970.3102-17(c)(4) does not incorporate the FTR in its entirety, rather it only applies to that part of the FTR which addresses special or unusual situations, the maximum per diem rates, and the definitions of lodging, meals, and incidental expenses.

The changes to GSA's regulations, which resulted from Pub. L. 105-264, only apply to Federal agency employees for taxes incurred on travel or transportation reimbursements. The purpose of the public law and the subsequent interim rule was to correct certain past actions: (1) eliminate a tax liability that had been imposed on certain Federal employees, and (2) provide for retroactive compensation for Federal individuals who had been impacted by the tax liability. When the IRS tax liability was established, it was inadvertently made applicable to Federal employees who incurred business related travel expenses during long term official travel. Many Federal agencies were unaware of this requirement as the IRS did not notify them until December of 1993. Thus, the agencies did not withhold tax payments from the salaries of employees who were on temporary duty for more than one year. Many of the impacted Federal employees were liable for a lump-sum payment plus penalties and interest. This bill provides a one-time reimbursement for the tax liability to those employees impacted by the oversight.

Questions regarding the foregoing may be addressed to Terry Sheppard, MA-51, (202) 586-8193, or terry.sheppard@hq.doe.gov.


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